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GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL FINANCE.

FILE No. 223-23,

"A" Collection. **Serial No. 1-2.**

DECENTRALISATION OF AUDIT IN THE LARGE SPENDING DEPARTMENTS—EDUCATION.

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2	Government Order No. Fl. 2250-309, dated 18th December 1924. To the Comptroller, Inspector-General of Education, other Heads of Departments, Secretaries to Government, and the Deputy Commissioners of Districts. Directs the formation of a Separate Financial Branch as part of the office of the Inspector-General of Education, and defines the duties of the Accounts Assistant to the Inspector-General.	

Decentralisation of Audit in the Education Department.

In his letter of the 17th September 1923, the Comptroller has represented the urgent need of strengthening the Education Audit Branch of his office and has applied for an additional establishment of three accountants on Rs. 87, 77 and 70, as the first instalment of the increased staff required for coping with the work. That the audit work relating to the Education Department has increased largely is a fact and in view of the educational policy of Government, that it will further increase is also a fact. The question to be considered is whether audit work should continue to be performed under the present conditions, necessitating more and more establishment for conducting it, or whether the work to be performed in the Comptroller's Office should not be reduced by simplification of audit process or by delegation of portions of audit work to the Education Department itself or by resort to both these methods.

Excluding the University, the gross expenditure on Education in the current year according to the budget is about Rs. 43½ lakhs against about Rs. 22 lakhs (making allowance for Village School Fund Works) in 1916-17 when the Comptroller's office was reorganised. The increase is thus Rs. 21½ lakhs, *i. e.*, the expenditure has doubled itself in about seven years and audit of expenditure of this amount naturally requires more staff. The request of the Comptroller for three more hands is, therefore, very reasonable. The bulk of the increased outlay appears under the head "Primary Education" and the expenditure on this minor head is incurred in small bits as it relates to a large number of institutions and the quantity of individual vouchers requiring separate attention in the course of audit is accordingly very heavy and the entries to be made in audit registers are also numerous. The work involved is enormous and with additional grants for expansion of Primary Education and with the levy of education cess in all the districts, the expenditure on Primary Education will be further increased and the audit work of the Comptroller's Office will also be correspondingly increased.

The general increase of audit work has turned the attention of the Government of India to the urgent need for simplifying central audit and this problem is seriously under their consideration. Some steps in the direction of simplification have already been taken in British India and it has been recognised that it is impossible to continue to conduct audit in the Central Office of Accounts at the presidency head-quarters on the old lines and that more and more attention should be paid by the Central Audit Office to the broader features of financial control than to the minute details of audit. The need for this change has also been emphasised by the Reform System of Finance, which requires much more precision in audit and classification than in the past and which makes the Government Auditor responsible to the Legislature for his work. Under the new system, the Comptroller's work will be subject to much criticism by the Public Accounts Committee. This is what the Government of India observe in their First Despatch on the Indian Constitutional Reforms:—

> "The underlying notion will be two fold; we wish to give audit officers leisure from laborious routine to accept the far greater responsibility which will now be laid upon them and which depends more upon their discretion and judgment and less upon mechanical industry. Second, we desire to foster a greater initiative in audit. In place of formal examination of authorities and rules, the work should be conducted with greater regard to the broad principles of legitimate public finance."

It is out of the question to provide adequate establishment for conducting, under the present rules which are meticulous is many respects, audit of public expenditure which is ever on the increase. It is, therefore, high time that some measures of decentralisation and devolution in audit are seriously considered. This problem is a very large one and it will take a long time to find a complete solution for it. As the first step in this direction, I would suggest that the question of simplifying the audit work of the Education Department performed in the Comptroller's Office may be taken up for consideration. The exact lines on which any modification with the object of simplifying work and reducing the cost of establishment or at least preventing further increase of expenditure on audit, without impairing the essentials of audit control, may be made, can only be suggested by the Comptroller in consultation

with the Inspector-General. I note a few points to indicate the general direction in which simplification and reduction of work may be attempted :—

(1) Under any system of financial control, responsibility for audit has to be shared by the Executive Department and the Audit Department. Even under the present system the understanding is that, in certain matters of audit, the responsibility is definitely devolved upon disbursers and controlling officers of the departments concerned. The present question is whether a larger degree of devolution is not possible both to relieve the Comptroller's Department and also to render the Education Department more self-reliant in regard to control over its expenditure transactions. If, under the existing practice, the Department is maintaining for Administrative purposes records and registers capable of affording sufficient means for exercising audit control, there is obviously no need for maintaining the same or similar kind of records for serving more or less the same purpose in the Comptroller's Office. This is one class of cases in which devolution is possible without impairing control. The only condition necessary is that there should be a definite recognition of the fact that the particular items of check, withdrawn from central audit, are entrusted to the care of the department which should hold itself responsible for exercising the transferred function.

(2) The number of bills relating to Village Schools of all kinds is very large. The scales of establishments of these schools are not liable to large fluctuations and the points that usually arise for examination in the course of audit of bills of these schools are not very intricate nor would the monetary value of many of the objections usually raised in audit by the Comptroller's Office under the present system be large. I think this is one class of vouchers which admits of considerable simplification of audit work. The principle of partial detailed audit is already in force in regard to some classes of bills and I think it is worth while considering whether this principle cannot be extended to this class of bills. I do not think the main objects of audit will be lost if only the bills of a part of the year instead of for the whole year are subject to detailed scrutiny. In respect of what fraction audit may be limited to record in audit registers to prevent double claims is a matter of detail and may be settled afterwards, if the principle is adopted. The audit departmental rules, of course, provide for sufficient safeguards to prevent any abuse of the new arrangement either by the staff of the audit office or by such staff in collusion with the treasury. The months for which detailed audit should be applied will be selected at random after accounts are received in the audit office and the selection will be made by responsible officers and there is thus no scope for any abuse of the system.

(3) The grants-in-aid bills are numerous and the bill relating to each individual institution, however small the amount involved, now receives in the course of audit the same amount of attention and care as a bill for a large amount. This is another class of bills the audit of which can be simplified. It may be found possible by investigation that the unit of audit could be enlarged on the territorial basis or on the class of institutions and if all bills coming under the category count as one for purposes of central audit, there would be some reduction and simplification of work.

(4) Remarks similar to those in regard to grants-in-aid bills apply to scholarship bills of private institutions.

(5) It is also necessary to adopt all possible mechanical devices for saving labour and simplifying work. One of the most important functions of the account office is the work of allocation of charges, *i.e.*, the accommodation of charges under the appropriate budget heads. This work becomes very important under the Reform Finance, as a special report is due by the Comptroller to the Legislature in respect of the results of audit with reference to appropriations, voted by the Legislative Council. If vouchers for the different classes of expenditure coming under the several minor heads of the Education Department Budget are printed in separate colours, their handling for purposes of classification will be simplified and if separate coloured vouchers are brought into use, much of the writing work relating to the particulars of classification could be saved.

(6) While dealing with the Education Budget of the current year, I was impressed with the magnitude of the work involved in the audit of the expenditure of this department and it also appeared to me that for the satisfactory discharge of his responsibilities, a large part of which relates to finance, the Inspector General required the help of an Assistant in matters of accounts and finance. If it was possible to give him the help of an Assistant, I thought that some of the audit work, now done in the Comptroller's Office, could be transferred to the Office of the Inspector-General of

Education. I therefore informally consulted the Comptroller in my letter dated 17th May 1923. The Comptroller agrees with me and considers that a measure of decentralisation is called for in the interests of both departments—Education and Audit, *vide* his letter, dated 19th July 1923. This proposal may also be considered in this connection. If it can be adopted, the alternative of forming an Education Accounts Office consisting of the hands of the offices of the Inspector-General and the Comptroller, now employed upon Education accounts and audit work, and working under a qualified officer of the Accounts Department who would help the Inspector-General in regard to the administration of the department on the financial side and who would hold himself responsible to the Comptroller in regard to audit, may also be considered.

(7) In any case, the experiment of simplifying audit work has to be tried for keeping down the cost of establishment, if for no other reason, and my proposal is that this experiment may begin with the Education Department. If this proposal is approved, the Comptroller will be requested to consider the matter and consult the Inspector-General and formulate definite proposals. This investigation is likely to take time and for the present, I think it is necessary to allow the three hands applied for by the Comptroller for the additional work, which, as stated above, is represented by the doubling of expenditure since the Comptroller's Office establishment was reorganised, and charge the cost to the Education Cess Funds, as the increased audit work is chiefly on account of Primary Education and as it is not possible to spare any money from Government Funds.

M. N. K.
10-12-23.

The questions raised in the Financial Secretary's note are most important and require fuller discussion.

I am personally agreeable to have an organization of the kind suggested, *i.e.*, an Education Audit Department, separate from the Inspector-General's Office and the Comptroller's Office, in charge of a Gazetted Account Officer—as Account Adviser to Inspector-General of Education and as a subordinate of the Comptroller for audit. We are spending half a crore on Education and proper audit, which should include University also, has to be provided for. Proposals may accordingly be called for from Comptroller who should consult the Inspector-General of Education. In the mean time three hands may be sanctioned temporarily for six months, cost to be met from Education Cess as proposed.

A. R. B.
17-12-23.

D. O. Letter No. 12, dated 18th July 1923 from the Comptroller to the Financial Secretary to Government.

Your D. O. No. 248, dated the 17th May 1923, *re* the necessity for attaching an Account Officer to the Education Department.

I should very much welcome the early decentralisation of audit by constituting separate departmental audit offices for the more important spending departments especially in view of the impending constitutional reforms involving important changes and increase in the responsibilities of the Central Audit Office. The Education Department is not only the largest spending Department but also ranks first both in volume and complexity of work involved in its financial operations on account of its steady growth and possibilities of new developments, and as such the formation of a separate Accounts and Audit unit for that department seems to me to be an urgent necessity. I have explained this at length and outlined the general scheme in the accompanying memo, and if the scheme is decided on by Government, I would recommend that an accounts officer may be placed on special duty for a period of about six months in order to study the departmental requirements and conditions and work out the details of the scheme in close consultation with the Comptroller and the Inspector-General of Education.

I regret the delay in the disposal of this question which was due to pressure of budget work.

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Memo regarding the necessity for the constitution of a separate Accounts Office for the Education Department.

Owing to the rapid expansion of the Education Department in recent years, the existing system of "centralised" audit is being found to be unequal to the strain imposed not only by the immense increase in the volume of work but also by the changing conditions and fresh developments due to the new Education policy. It is therefore necessary to devise a scheme for relieving this office of a considerable portion of its routine or mechanical work which can be more intelligently and efficiently done by an agency employed within the department itself, and thus enabling this office to devote its undivided attention to the more important work of auditing with reference to grants and sanctions of the highest authority. To form an idea of the unmanageably heavy work involved in the existing system of "centralised" audit under present day conditions, it is enough to take the case of the rapidly growing number of village schools managed directly by the department. This office is expected to check the claims of such a large number of school masters not only in respect of their pay, but also of their pensions as well as deductions made from their pay on account of Insurance premium, Provident Fund, etc. Then there are the billson account of grant-in-aid for quite as large a number of aided schools, the innumerable scholarships of various kinds, etc. In respect of almost all these charges the sanctioning officers are the departmental officers themselves, and as far as audit against sanctions is concerned, there is nothing to be lost by transferring this portion of the work to an agency to be employed within the department itself. The work in this office may be confined merely to—

(*a*) Audit with reference to sanction of Government and (*b*) Audit with reference to Budget grants. Even as regards (*a*) above, much of this audit in so far as it pertains to sanction of scales of establishment of the institutions and offices may also be left to the department, the central office exercising supervisory check over this audit, its duties being mainly confined to the audit of the sanctions accorded by Government and the departmental authorities to whom powers of sanctioning expenditure are delegated. As regards (*b*) with the introduction of the reforms, this will be a very important duty devolving on this office, entailing great responsibility as the Comptroller is answerable to the Legislature for all excesses over grant under each minor head. It is therefore all the more necessary that this office should in respect of a department which is the largest spending department in the State, be relieved of the routine of detailed audit and the mass of work it entails if it is satisfactorily to exercise the functions of higher audit.

2. As regards detailed audit of bills with reference to rules in Mysore Service Regulations and the Account Codes, the following classes of charges may very well be relegated to departmental audit:—

(*a*) Pay, travelling allowance and fixed contingencies.

(*b*) Scholarships and grant-in-aid except in those cases where sanction of Government is necessary or where the amount exceeds a prescribed limit.

3. As regards verification of pension claims, this may also be delegated to the Inspector-General of Education, pensions being sanctioned by the Comptroller on statements of verified service and emoluments to be furnished by the Inspector-General as is done in the case of the Military Department. In fact, this work of verifying pension claims may advantageously be transferred to all those departments which have a separate Accounts Officer of their own. Pensions in the case of large spending departments may well be debited to the departments themselves in the Government Accounts, a separate head being opened therefor.

A separate Accounts and Audit Office may accordingly be formed in the Education department, an Accounts Officer being placed in charge of it. The functions to be exercised by the Accounts officer should be on the lines analogous to that outlined in the case of the Military Department by Mr. K. R. Krishnaswami Iyengar, in his exhaustive and lucid note on the decentralization of the audit and accounts of the Military Department, upon which orders have not been passed yet by Government, and the Accounts Officer should be not merely an Assistant to the Head of the Department, as the Accounts Assistant to the Chief Commandant now virtually is. He should be an Audit Officer exercising powers and functions on behalf of the Comptroller, and under his general supervision, while he will at the same time be the Financial Adviser to the Head of the Department. He should not be an Assistant to the

Head of the Department for administrative purposes, but an independent Accounts Officer in charge of the audit and accounts of the Education Department under the Comptroller. The arrangement should be that this officer and his office should be located in the office of the Inspector-General of Education where the audit of all bills of the Education Department will be conducted and payment arranged for on the spot and arrangements made for that officer getting the bills and vouchers from the treasuries so that he may himself compile the accounts for the Education Department under the prescribed heads, and send them to this office for being taken straight into the central books without separate accounts having to be compiled by the District Auditors. The receipts of the department from the various sources will also be audited in that office.

D. O. No. 248, dated 17th May 1923, from the Financial Secretary to Government to the Comptroller to the Government of Mysore

I am dealing with the Education estimates now and I find that the financial operations of this Department are so large that it is desirable to attach to the Education Department an officer of the Accounts Department to work as the Financial Assistant or Adviser of the Inspector-General. The powers of financial sanction delegated to the Inspector-General are also fairly large and this is another reason for giving technical financial assistance to the Inspector-General. There are some institutions in the Education Department where stock accounts are kept and the presence of an Accounts Officer in the Department would go far to help the Head of the Department in exercising proper control over stock transactions. I believe the Inspector-General has more than once asked for the help of the Comptroller's Office in looking into the accounts of institutions handling stocks. If an Accounts Officer is attached to the Education Department, we may also consider whether some part of the audit of Education expenditure now conducted in your office may not be decentralised and departmentalised. The system of departmental audit obtains largely in England and it is supplemented there by the outside and independent audit of the Auditor-General responsible to Parliament. As the officer that may be attached to the Education Department may not be fully occupied in assisting the Head of the Department in financial matters, he may, with advantage be entrusted with the audit of receipts and expenditure of the Education Department subject of course to supervisory audit by you. The responsibilities of the Audit Office have grown and are growing and we are thinking of ways and means for relieving the Central Audit Office of items of work which can be transferred elsewhere so that it might devote more attention to its more important function of supervisory audit and audit with reference to higher sanctions which will become more important with the voting of grants by the Legislative Council. I write this to request you to consider this suggestion. I am not writing by direction of Government. The idea has struck me and I am communicating it to you to know what you think of it. I may add that when we have recognised the necessity for a Financial Assistant in the Military Department, the need for such an officer in the Education Department cannot be less. The financial transactions of the Education Department are not only large in magnitude but they have under recent orders, become complex, as the result of merging in the departmental estimates of the receipts and expenditure of the Village School Fund and of the new policy according to which part of the cost of primary education should be met from the Educational cess. Educational finance is certain to receive more and more attention in the future and it seems to me that the best attention to it can be given only within the Education Department and this is possible only when there is an officer there who can devote his undivided attention to it and help the Inspector-General in the administration of his department on the financial side and who can also be trusted to exercise whatever audit functions are delegated to him in the spirit in which they should be carried out.

Note on the Expenditure of Education Department.

The system of audit and accounts of a department should be adopted to its needs and the character and volume of financial operations of the department should determine the machinery of control that should be provided for its successful administration. The departments, the nature of whose business is complex and the magnitude of whose monetary transactions is large, require a different system from those whose

activities on the financial side are mostly confined to the drawing and disbursement of salaries, allowances and contingencies and to the expenditure of small amounts on other objects. Under the former category come the following departments:—

Railways, Electrical Works, Public Works and Education.

There is a specialised Audit and Accounts branch auxiliary to the department of Railways. This branch is entrusted with the duty of examining both the expenditure and revenue transactions of the department and of keeping proper accounts for them. The Public Works Department has a system of accounts and audit specially devised for its requirements but the office employed upon this work is not, since the amalgamation of the Public Works Audit Office with the Comptroller's Office, in touch with the Administrative Department as closely as it is desirable. What is required in the case of the Public Works Department is not the constitution of a separate Financial Branch within it, but the bringing of the Public Works Branch of the Comptroller's Office into intimate association with the Executive and the Administrative staffs of the department. In the file relating to the re-organisation of the Comptroller's Office I have suggested that a Deputy of the Comptroller should be held responsible for all the accounts of the Public Works Department and required to work as the Financial Adviser to the Chief Engineer under the general supervision of the Comptroller.

The financial responsibilities of the Education Department are growing year by year. According to the Budget of the current year, it is answerable for a total expenditure of 43½ lakhs and has to account for receipts of different kinds, including school fees, amounting to Rs. 8¼ lakhs. A department whose transactions exceed half a crore of rupees annually requires a special machinery of financial control. The formation, therefore, of a Financial Branch within the Education Department has already been suggested and the Comptroller has been requested to formulate, in consultation with the Inspector-General of Education, detailed proposals for introducing a workable scheme.

The only department which has heavy financial responsibilities both under revenue and expenditure, but which has now no separate organisation for the adequate discharge of such responsibilities is the Electrical Department. The system of audit which now obtains in the case of this department is highly centralised and is conducted in the Comptroller's Office and the audit itself is practically limited to expenditure; what little of audit in respect of revenue is made is relegated to the test-audit made in the course of hurried visits which the Inspecting Assistant of the Comptroller pays to the sectional offices of the department. This department is essentially a commercial one and its system of accounts and audit should follow approved lines of conducting similar work of commercial concerns. It is a *sine qua non* for every commercial concern to have well developed costing accounts and also an efficient system of internal audit. It is impossible for the audit conducted in the Comptroller's Office to be of service to the Electrical Department either in making its financial administration more efficient or more economical. The Comptroller's Office audit is mostly a *post mortem* examination and it is, therefore, valueless as a means for preventing the occurrence of errors and irregularities.

Besides, this examination is conducted away from the scene of operations and the people of the Comptroller's Office employed on this work cannot visualise transactions and their objects and are thus unable to perform their work in an intelligent manner.

For reasons stated in the previous para, I think it is necessary to organise a Financial Branch within the Electrical Department and place it under a fully competent officer of the Accounts Department and devolve upon him the following duties:—

1. Financial Adviser to the Chief Electrical Engineer.
2. Accounting Officer of the Electrical Department and
3. Officer in charge of the internal audit required in the case of Commercial Department like the Electrical Department.

This branch will have to take over not only the work relating to the expenditure accounts of the department but it will also have to be made responsible for the accounts of the demand, collection and balance of the differenti tems of revenues of the department.

The organisation of a branch of the kind suggested above should result in considerable relief to the executive and administrative officers of the department and also in a material reduction of the work now performed in the Comptroller's Office.

When this new arrangement is introduced, it will be necessary to provide for an effective and independent test-audit of the work of this branch by the Inspecting Staff of the Audit Department. Instead of an annual inspection during which only two or three days are devoted to each sectional office, I would suggest that a system of monthly inspection may be introduced and that the accounts and registers of a month, as soon as they are posted and closed, be examined by the Inspecting Staff and that points arising out of such inspection be immediately reported for action to be taken by the department itself or for the orders of Government.

How the new arrangement should be given effect to requires to be carefully thought out and all the details necessary will also have to be worked out. The Comptroller may be requested to formulate, in consultation with the Chief Electrical Engineer, detailed proposals for giving effect to the arrangement.

I attach an extract from the book on "The System of National Finance" by Hilton Young, a great authority on the Financial System of the United Kingdom, which shows how great is the need for organising within the Electrical Department, a branch of the kind suggested above.

EXTRACT FROM "THE SYSTEM OF NATIONAL FINANCE" BY HILTON YOUNG.

"Great as is the value of the administrative part of the Auditor General's audit, it is clear that it must be very limited in its scope. Such loss and wastage only can come to his notice as are patent on the face of the accounts and documents submitted to him, and it is an incautious department that allows its accounts to go forward with patent defects of the sort clamouring for enquiry, when by any means it can eliminate them. Lack of intimate knowledge of the methods of the departments, and especially of all those technical affairs with which the Admiralty and War Office are concerned, must greatly impede him in his researches. It can only be a few of the most obvious and not always the most grave cases of waste that an officer in his position can hope to discover. His enquiries moreover come after the event, and although it is better that they should come then than not at all, it is better still when the check on waste comes before the waste has been made. If the public is to have the protection of a full and a prompt administrative audit, made with intimate knowledge of the work of the departments and with better means of information than accounts and documents carefully prepared for the inspection of an external examiner, it must get it in another quarter and that is in the financial branches of the great spending departments themselves. An internal administrative audit is in fact being continuously conducted by those branches in the better organised departments, and where it is not, it ought to be. In this matter as in the matter of the preparation of Estimates, the more closely the financial officers of the department are in touch with the Executive, the more they are dovetailed together in their daily labours, the financial officers working within the executive departments as helpers and advisers, the more effective the work for economy will be. And here again the second essential to the efficiency of their work is that they should be responsible to their financial chief and to him only, and that he should be responsible only to the supreme head of the department. With the growing volume, elaboration, and technicality of the work of Government, it is to the expert and semi-independent financial branches of the great departments that the public must look for its substantial protection against waste and loss. External and therefore comparatively inexpert guardians, such as the Auditor General, the Public Accounts Committee, and the Treasury, high as the value of their work undoubtedly is and essential in the legal scheme of appropriation, in the practical matter of enforcing economy in administration can only supplement the work done within the departments themselves. So vital have the services of the financial branches of the great departments become to the cause of economy that it is to be wondered at that their organisation and conditions of labour are left to the uncontrolled discretion of the ministers and the Executive. A minister can make what he likes of the financial branch; he can make it an efficient and active body under the conditions described, or by segregating it, by subordinating it to the executive officers, and by confining it to the mere routine of accountancy, he can reduce it to impotence. Parliament has hedged about the powers and independence of the Comptroller and Auditor-General with all the protection that Acts of Parliament can give. Now that the cause of economy must depend even more on the financial work done inside the departments, if

there is to be any advance in the direction of strengthening financial control, it must be by extending something of the same protection and security to the financial branches, as much of it as is consistent with maintaining unimpaired the ultimate responsibility of the supreme head of the department."

There is one other department to be considered in this connection. I refer to the Military Department. An officer of the Accounts Department has now been deputed to work as the Accounts Assistant to the Chief Commandant. With the introduction of the non-silledari system, the accounts of this Department will become even more complex than they are and it will be necessary to devise means and methods for ensuring adequate control over the financial operations of the Department. The working of the system of decentralisation which, it is proposed to introduce in the case of the Education Department, may be watched for some time and the experience gained thereby utilised for developing a system for the Military Department adopted to its requirements.

M. N. K.
Dewan.
26-1-24.

I agree to the proposals of the Financial Secretary in regard to the Electrical Department. The Comptroller may be asked to formulate a scheme at once. I think a similar section should also simultaneously be formed for Military Department, the expenditure of which is going to be 20 lakhs per annum and Comptroller may formulate the same kind of organisation for it.

A. R. B.
28-1-24.

Forwarded to the Comptroller with Compliments for favor of further action.

M. N. K.
28-1-24

Kind reference is invited to my (official) Letter No. 70— Comptroller, dated the 2nd February 1924.

T. Satyaraj Chetty,
17-3-24.
Comptroller.

Extract from letter No. 70—Comptroller, dated 2nd February 1924, from the Comptroller, Mysore Government, to the Financial Secretary to Government.

I have the honour to acknowledge the receipt of the un-official references Nos. 108, dated 3rd January 1924, and D. 2754 Fl., dated 28th January 1924, containing proposals for the decentralisation and the devolution of audit in respect of the three large spending departments, *viz.*, Education, Electrical Works and Military, the second of which is also a large revenue-producing department, with the orders of the Dewan directing that I may submit a scheme for giving effect to the proposals in consultation with the heads of the respective departments.

The points to be examined before working out the details of the scheme for each department are briefly the following:—

(1) The nature of departmental check conducted in regard to the various classes of expenditure in the several offices, subordinate offices, institutions, etc., and the direction in which the responsibility of the Disbursing Officers in this respect may be enhanced and a part of regular audit thereby relegated to them.

(2) The nature of the check similarly exercised by the heads of the departments as controlling officers in respect of the expenditure incurred by them and by the subordinate officers under their control and the direction in which their responsibilities may also be further enhanced and the extent to which some of the functions of the Audit Office may be delegated to them.

(3) The accounts to be maintained by the subordinate officers, to secure the object in view and the accounts and returns to be rendered by them to the controlling officers to enable the latter to exercise their functions of audit.

(4) The accounts to be maintained by the controlling officers.

(5) The standardization of bill forms keeping in view (*a*) the Disbursing Officers empowered to sign the bills, (*b*) distribution of schools, institutions, etc., (*e.g.*, Education), classes of employees (*e.g.*, Electrical Works), ranks and men (*e.g.*, Military) (*c*) jurisdiction, territorial units, places of payment, etc.,

(6) The constitution of an Audit and Accounts office to be located in the office of the head of the department and the lines on which business should be conducted, the nature and scope of the internal administrative audit, the duties of the Audit and Accounts Officer, his functions and powers, and his relationship with the head of the department, and the head of the Audit Department.

(7) The nature of the supervisory audit to be conducted by the Comptroller.

(8) The audit of the receipts of the department especially of the Electrical Department—details of procedure.

It will be necessary in working out the scheme for decentralisation and devolution of audit in respect of the three departments referred to, to study in detail the methods of procedure adopted by examining all books and accounts maintained in the head office and one or two typical subordinate offices, institutions, stores, workshops, regimental offices, etc., and devise a workable scheme for each department in consultation with the head of the department after discussing in detail each class of expenditure. It will also be necessary to study closely the departmental rules and regulations and all standing orders and circulars relating to the several classes of expenditure and the financial powers of the various officers in respect of each. In regard to the Electrical Department the scheme to be formulated should be in accordance with the orders recently passed by Government requiring that the system of accounts to be followed and maintained in the Electrical Department should be purely on commercial lines.

I have indicated only in a very general manner the course of action to be adopted, but the volume of business to be transacted before the necessary materials are gathered and the details of procedure to be followed are definitely determined, will, I apprehend, be enormous. The task is rendered all the more difficult as the scheme under contemplation is one to be initiated by us without a corresponding system in British India for ready adaptation.

Letter No. E. S. 1452, dated 6th June 1924 from the Comptroller, to the Financial Secretary to Government.

Serial 1.

In continuation of my letter No. 1431—E. S. dated the 4th instant, I have the honour to submit herewith the note drawn up by Mr. K. R. Krishnaswami Iyengar, Assistant Comptroller on special duty, on the decentralization of audit relating to the Education Department, together with a copy of *D. O. No. 1-230, dated 5th June 1924, from Mr. C. S. Balasundaram Iyer, Inspector-General of Education, to whom a copy of the above note had been sent by me for perusal and remarks.

2. *Paras 4 and 5 of the Note.*—I agree in the views contained in the above paras of the note and I would suggest that the Accounts Officer to be attached to the Education Department, may, in his capacity as an administrative subordinate of the head of that department be designated as "Financial Assistant to the Inspector-General of Education" while in his audit capacity he may be designated as "Education Auditor." The treasuries may be instructed to cash bills passed by the "Education Auditor" and generally to comply with all requisitions emanating from him as an Audit Officer. An annual test audit of the work done in the Education Audit Office may be arranged by the Comptroller.

3. *Para 10 of the Note.*—I do not think it necessary to make an exception in the case of audit of salary bills of Gazetted Officers. This work also may be transferred to the new Education Audit Office, which, like the present Railway Audit Office, may maintain the record of services pertaining to these officers and furnish particulars whenever required, for the compilation of the History of services of Gazetted Officers and also note on the title to leave, etc., of the officers concerned.

4. The extra cost involved in the present proposal would amount to Rs. 5,548 per annum plus whatever sum may be required to meet the pay of the "Education Auditor"—*vide* proposition *statement—and it may be partially met out of the Education Cess Fund.

5. A lumpsum provision of Rs. 1,000 will also be necessary for meeting *initial* expenditure on furniture, printed forms and registers, etc.

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* Please see in correspondence below.

Note on the Decentralisation of Audit in regard to the Education Department.

Need for Specialisation.—It is a well recognised principle that the Head of ever spending Department of Government is responsible for exercising complete and effective control over the expenditure incurred by that Department. He has to see not only to the maintenance of proper accounts but also to the observance of economy and regularity in the financial transactions of his Department. To enable him to discharge these duties efficiently, he requires proper help of subordinate staff equipped with the necessary training and qualifications. With the growing complexity of transactions in all branches of Administration, the need for *specialisation* is becoming more and more imperative, and it is accordingly found necessary for the Head of every one of the larger spending Departments to have the technical help of a trained Accounts Officer to assist him in the financial branch of his work.

2. *Need for Decentralisation.*—Side by side with *specialisation, decentralisation* has also become necessary in the interests of prompt and efficient transaction of the growing volume of business in the various branches of Administration. This is being felt more and more in the Accounts and Audit Department. The present system of "Centralised" audit and accounts is found to be cumbersome and dilatory in working, mainly on account of the dead-weight of the increasing mass of routine work. The remedy for this has to be sought in "decentralisation" as far as it can be conveniently effected. It may perhaps be argued that "audit" should be "aloof" or "detached" from the atmosphere or scene of actual transactions and of men and things involved, and that it will lose in "tone" or "quality" if it were to be placed even in partial touch with the living conditions of the spending Department. But as the *ultimate* aim of "audit" is economy and financial regularity, it will be admitted that this purpose can be much better served by "audit" working in close co-ordination with the "administrative" branch of the Department and thus helping to some extent in *preventing* irregularities, waste and fraud, than by scrutinising the accounts and vouchers with a view to detect waste or fraud *after the event.* After all, the "detached" or "centralised" audit connot go far to detect frauds and much less, to spot out waste or extravagance. What is really required everywhere is more of constructive and preventive work than of criticism or detection, and a system of "departmental" or "internal" audit will serve this need very well.

3. *Accounts Officer required for the Education Department.*—The Education Department which spends nearly half a crore of rupees every year requires a well-equipped financial branch of its own for exercising proper control over this heavy expenditure and especially in view of the growing complexity of Education finance. If a trained Accounts Officer be attached to this Department, he may not only help the Head of the Department in respect of the financial portion of his duties but also be entrusted with the audit and compilation of classified accounts of the entire expenditure of that Department, thus giving relief to that extent to the Comptroller's Office. Such a measure of decentralisation of accounts and audit is also desirable in view of the fact that the Head of the Department is primarily responsible to the Legislature in respect of the expenditure under his control.

4. *Duties of the Account Officer.*—The necessity for the appointment of a separate Accounts Officer for the Education Department being recognised, his duties and responsibilities have next to be defined. They may be broadly classified under the following three heads:—

(i) Helping the Inspector-General of Education with technical advice in all financial and accounts matters and supervising the Accounts Branch of his office.

(ii) Maintenance and rendering of proper accounts to the Comptroller.

(iii) Audit.

Under (i) the Accounts Officer will act as a Financial Assistant to the Inspector-General, while under (ii) and (iii) he will be held responsible to the Comptroller for audit and for the correct preparation and punctual submission of the consolidated accounts of the Department. It is on account of this apparently *dual* function of the officer that there is likely to be diversity of views about his administrative relationship with the Inspector-General on the one hand and with the Comptroller on the other. If the *maximum* benefit is to be derived from the association of an Accounts Officer with the administration of the Department, it can be done only under conditions which ensure him the full and hearty *support* of the Head of the Department in calling to order or bringing to book the erring officials of the Department. This will mean

that he must be treated as a sort of Deputy of the Inspector-General and empowered to address the officers of the Department in the name of the Inspector-General. He will thus be administratively subordinate to the Inspector-General. This need not detract in any way from his personal responsibility to the Comptroller in matters of accounts and audit. The only cases that may present difficulties in actual working are those when the views held by him as an Auditor happen to run counter to those of the Inspector-General. But in all such cases (which will be rare), the Inspector-General may be required to refer the question to the Comptroller as the final audit authority whose decision must ultimately prevail.

5. *Independence of Audit.*—The alternative arrangement of making the Accounts Officer independent of the Inspector-General has nothing to recommend it, except perhaps, the independence of audit as an abstract principle. It will really lead to increasing estrangement between administration and audit and to the consequential strain and waste of effort in the general machinery of Government. The crying need under present conditions is for an increasing realisation on the part of the Head of every spending Department that audit is meant to help and not to hinder him; and this can be achieved only by making the Financial Officer work in close association with the Administrative Department.

6. *Present Audit Procedure.*—The changes of procedure involved in the transfer of audit from the Comptroller's Office to the New Education Audit Office (which will hereafter, for brevity's sake, be styled as E. A. Office) may next be considered. At present, the main portion of the audit of expenditure debitable to the Budget head "26. Education" is conducted in a separate section of the Comptroller's Office, *viz.*, the Education Section, which consists of 11 officials including the Superintendent. It is only in the case of charges relating to Industrial Schools, Travelling Allowances and salaries of Gazetted Officers, that the bills are audited in the Special Sections concerned, *viz.*, Industrial Audit Department, Travelling Allowance and Gazetted Audit Department Sections respectively.

7. *Audit of University Accounts.*—The charges relating to the Mysore University are, with a few exceptions, not audited in the Comptroller's Office, but are subject to *local* audit, for which purpose, all the Treasury vouchers concerned are forwarded by the Comptroller to the Registrar of the University along with monthly statements of credits and debits to the University Fund. In the case, however, of salaries of Gazetted Officers of the University, the bills are audited in the Comptroller's Office and then passed on to the University. This exception is due to the necessity for the maintenance of the record of services of Gazetted Officers of all departments in the Comptroller's Office. The vouchers for the outlay incurred by the Public Works Department on account of the University are not sent to the University Office as the charges are included in the Executive Engineers' monthly accounts which are completely audited in the Comptroller's Office. The debit to the University Fund on this account is accordingly not subject to *local* audit and is simply accepted by the University on the statement of the Comptroller. It will thus be seen that the new Education Audit Office need have nothing to do, at any rate under present conditions, with the audit and accounts of the University Fund. In this connection, it may be observed that sundry inconveniences are at present being felt in the handling and disposal of vouchers whenever the same bill happens to include charges debitable to the University Fund as well as those debitable to other heads of account. It is therefore desirable to insist on *separate* bills being invariably prepared in all such cases, even though the claims may relate to one and the same individual for the same month.

8. *Audit of Charges Relating to Industrial Schools.*—The audit of expenditure relating to industrial schools is at present conducted, as already stated in para 6 *supra,* in a special section (*viz.*, Industrial Audit Department) of the Comptroller's Office, and there is nothing to be gained by transferring this work to the New Education Audit Office, especially as these schools are all under the administrative control of the Director of Industries and Commerce and they are financed more or less on the commercial system of regulating the working capital with reference to receipts.

9. *Audit of Travelling Allowance Bills.*—In the case, however, of Travelling Allowance Bills (pertaining to officers of the Education Department) which are at present conducted in a Special Section (*viz.*, Travelling Allowance Section) of the Comptroller's Office, they may very well be transferred to the new Education Audit Office which will be in a position to exercise better scrutiny over the bills in respect of the necessity and objects of journeys and halts of the departmental officers.

10. *Audit of Salary Bills of Gazetted Officers.*—As regards salary bills of Gazetted Officers of the Education Department, they must necessarily continue to be audited in the Comptroller's Office as in the case of Gazetted Officers of University Colleges (*Vide* para 7 *supra*). The bills may however, after being audited in the Comptroller's Office, be sent over to the Education Audit Office which will then include these charges in the monthly consolidated classified account to be prepared and submitted by it to the Comptroller. This procedure will be analogous to what obtains at present in the case of salary bills of Gazetted Officers attached to Industrial concerns which maintain separate and self-contained accounts of their own.

11. *Collection of Treasury Vouchers for Audit in the Education Audit Office.*—The scope of audit in the Education Audit Office having been thus defined, the next thing to be considered is the manner in which the materials (*i.e.*, bills and vouchers) required for audit are to be supplied to that office. If all payments were made by cheques issued by the Audit Officer, the bills and vouchers in respect of expenditure would automatically remain with him and the question of collecting them from different sources would not arise at all. But as the introduction of a unified system of cheque payments in the Education Department is out of the question owing to the very large number of payments that have to be made in all parts and corners of the State, some arrangements will have to be made for the collection of all the bills of the Education Department that are cashed in the several Districts and Taluk Treasuries in the State. This can be done either by the Comptroller's Office picking them out from the bundles of vouchers received in that office from the Treasuries and passing them on to the Education Audit Office as is now being done unto the Education Section of that office itself, or by the Treasuries themselves being instructed to detach and send all such vouchers in separate bundles *direct* to the Education Audit Office. The latter course may perhaps be preferred as avoiding unnecessary delay in the transmission of vouchers to the Education Audit Office. The Treasuries will have to prepare in that case a list, *in triplicate*, of all the vouchers relating to the Education Department, and send the 'original' list to the Comptroller's Office along with the monthly accounts, while the vouchers themselves together with the 'duplicate' list may be sent by the Treasuries *direct* to the Education Audit Office and the 'Triplicate' list retained by them for reference. As regards bills payable at Bangalore as well as other bills that are, under the existing rules, required to be pre-audited, they will be pre-audited in the Education Audit Office instead of in the Comptroller's Office, and the Treasuries will be instructed to cash bills passed by the Education Audit Officer.

12. *Extending the Scope of Pre-audit.*—There are certain classes of bills which are countersigned by the Inspector-General of Education and cashed in the mofussil-treasuries, but which are not required to be *pre-audited* under existing rules, *e.g.*, travelling allowance bills of inspecting officers, work bills of contractors, etc. As these bills have in any case to be checked in the Inspector-General's Office before they are countersigned, they might as well be got audited then and there by the Education Audit Office which will work in close association with the Accounts Branch of the Inspector-General's Office. To this extent, the scope of pre-audit can conveniently be extended by the formation of the Education Audit Office.

13. *Nature of work to be done in the Education Audit Office.*—The Education Audit Office will, after auditing the charges, prepare and submit a monthly consolidated classified account to the Comptrellor's Office where it will be incorporated straight in the Detail Books. The several processes of work to be gone through in the Education Audit Office need not be elaborately set forth here, as they will all be practically the same as what are now in operation in the several sections of the Comptroller's Office except for the introduction of two new heads of account necessitated by the constitution of a separate Audit Office. These two new heads of account are (1) Objection Book Advances—Education, and (2) Education Bills, the latter being a remittance head to which the charges will be debited in the Treasury Accounts and credit will be afforded through the monthly classified account of the Education Audit Office. The *absence* of such a remittance head will not only entail needless work and delay in the preparation of the monthy Treasury Classified Abstracts in the Comptroller's Office, but also occasionally lead to confusion in accounts when bills to be sent to the Education Audit Office by the Treasuries are wrongly sent by them to the Comptroller's Office or *vice versa*.

14. *Establishment required for the Education Audit Office.*—The question of establishment required for the Education Audit Office may now be taken up. It will

be seen from paras 9 and 13 *supra*, that the following extra items of work will devolve on the Education Audit Office in addition to the work now done in the Education Section of the Comptroller's Office.—

(*a*) Audit of Travelling Allowance Bills.

(*b*) Maintenance of accounts relating to "Objection Book Advances,—Education" and "Education Bills."

(*c*) Compilation of monthly accounts and preparation of detailed credit statements pertaining to the different kinds of deductions made in bills.

(*d*) Correspondence with the Comptroller.

(*e*) Arrangement and preservation of vouchers.

(*f*) Registering of receipts and issues of bills and correspondence.

(*g*) Custody of stationery, forms and registers.

The extra establishment required on this account may be taken to be 5 Accountants and 1 Attender and 1 Mutchi; and as the present strength of the Education Section of the Comptroller's Office comprises 10 Accountants besides 1 Superintendent as well as a peon attached to the Section, the total Establishment of the Education Audit Office must comprise 1 Superintendent, 15 clerks or Accountants, 1 attender, 1 Mutchi and 1 peon.

15. *Adoption of "Partial" Audit.*—Some reduction in work is possible by restricting *detailed* audit of establishment pay bills to a percentage only of the total number of bills (starting with 50 per cent and gradually reducing it to 25 per cent). If this new method of *partial* audit is approved by Government and worked for some time, the exact quantity of work saved thereby may then be gauged with a view to effect any possible reduction of establishment. It must however be remembered, the the record of audit as well as the exercise of certain fundamental checks will have to be conducted in respect of every bill without any exception, and as such, the dimunition in the number of bills subject to *detailed* audit will not warrant any inference as to a *corresponding* percentage in the decrease of actual work for the auditing staff.

16. *Preliminary Arrangements for Starting the Education Audit Office.*—Before the new Education Audit Office can commence actual work, the accommodation required for it has to be arranged for, the extra staff recruited and furniture got ready as well as stationery and printed forms and registers. Sundry instructions have also to be issued for the guidance of the Treasuries and the office staff. The completion of all these preliminary arrangements may take about a month's time after receipt of orders of Government on the scheme.

K. R. KRISHNASWAMIENGAR,
22-4-1924.

D. O. Letter No. 1—230, dated 5th June 1924, from the Inspector-General of Education to Comptroller.

Please refer to your D. O. letter No. 1263, E. S., dated 22nd April 1924, forwarding a note regarding the formation of the Education Audit Office.

I generally agree with the Assistant Comptroller's note and the scheme may be tried from 1st July 1924. The cost of the section may be met out of the Budget of the Audit Department or suitable provision may be transferred to the Education Budget. By the formation of this Section, the work in the General Section of this office is likely to be increased considerably and additional clerical help may be required. But this question may be taken up after some experience is gained of work under the new conditions.

Proposition Statement.

No.	Present scale of recurring expenditure (of the Education Section of the Comptroller's Office)			No.	Proposed scale of recurring expenditure (of the Education Audit Office to be formed)		
	Designation	*Scale of pay	Average cost		Designation	Scale of pay	Average cost
		Rs.	Rs.			Rs.	Rs.
1	Superintendent	160—8—240	196	1	Education Auditor ...	To be fixed	
2	Accountants	70—5—100	92×2	1	Superintendent ...	160—8—240	196
5	Clerks	30—5-2—65	49×5	5	Accountants ..	70—5—100	92×5
		87	87	10	Clerks	30—5-2—65	49×10
3	Accountants	(a) 77	77	1	Attender	23	23
		70	70	1	Mutchi and Book Binder ...	21	21
1	Peon	13	13			13	13one peon for the Sec-
				3	Peons	12	12 tion and two peons
12	Total per mensem ...	.....	872			11	11 for the officer.
		.....	12				
				22	Total per mensem ...	....	1,226
							12
	Total per annum ...	... ..	10,464				
	Extra cost per annum (exclusive of the pay of the Education Auditor)	....	5,548		Total per annum ..	....	14,712
					Add travelling allowances ...	.....	800
		.....	16,012		Contingencies ...	.....	500
					Grand total per annum ..	....	16,012

* The present scale of pay of the Establishment belonging to the Education Section of the Comptroller's Office is adopted as per latest re-organisation proposals submitted to Government.

(a) These three Accountants were sanctioned temporarily for six months (Vide Government Order No. Fl. 3498-9—G. F. 7-23, dated 28th December 1923).

Initial expenditure.—Furniture for the officer and establishment after making allowance for five tables and chairs expected to be made available by the Comptroller's Office against 11 officials to be transferred from that office to the new E. A. Office, 1,000

(This can be reduced to Rs. 500 if 11 tables and 11 chairs can be surrendered by the Comptroller's Office.)

For officer.—Table, 4 Chairs, 2 Stools, 1 Almira, 1 Book shelf, 1 Electric fan (table fan).

For establishment.—1 Timepiece 1 Clock, about 4 pigeon holes, 2 desks and 2 stools for Attender and mutchi.

Mr. Krishnaswami Iyengar's note dated 22nd April 1924 and the Comptroller's letter dated 6th June 1924 deal with the measures necessary for constituting within the Education Department a separate Financial Branch and also for decentralising the work relating to the audit and accounts of the transactions of that Department.

This Branch may be entrusted with the work falling under the following three broad heads:—

1. Administration of the Education Department on the financial side:
   (i) Budget
   (ii) Financial Statistics
   (iii) General questions of Educational Finance.
2. Audit of all items of Educational receipts and expenditure.
3. Compilation of accounts of receipts and expenditure of the Education Department.

This Branch has to be supervised by a competent Gazetted Officer and should consist of three sections dealing with the three classes of work referred to above.

The officer in charge of this Branch should work as an Assistant of the Inspector-General of Education and his main object should be to afford the latter the maximum assistance he can, for making the financial administration of the Education Department as satisfactory as possible. In matters relating to audit and accounts, he should be guided by the instructions given by the Comptroller.

The work relating to the University and the Industrial Schools need not be brought under the present arrangement which may be confined to the transactions directly under the Inspector-General of Education.

As observed by the Comptroller, the entire work relating to the Education Department including the audit of salaries of Gazetted Officers of the Department may be transferred to this Branch so that it may be a self-contained unit in every respect.

The vouchers relating to payments made by all the treasuries on account of the Education Department may be arranged to be directly submitted to the Financial Branch of that Department.

All bills for claims against the Department which come to the office of the Inspector-General before payment may be pre-audited in the new Financial Branch and cheques issued for their payment.

The Comptroller should arrange for the examination of the Accounts and Audit Sections of this new Branch at least once a year and his examination should keep two objects in view:—

1. a general scrutiny to see that the accounts and audit work is properly done, and

2. a special scrutiny for the discharge of his responsibility to the Legislature in respect of audit against appropriations and of other matters to be noted in the annual Audit and Appropriation Report on the financial transactions of the Education Department.

The Inspector-General has, in his D. O. letter dated 5th June 1924 to the Comptroller expressed only his general agreement with the proposals made in Mr. Krishnaswami Iyengar's note. The object of the new arrangement is to afford assistance to the Inspector-General in the administration of his department on the financial side. It would, therefore have been well if the Inspector-General had stated his views in detail on the several recommendations made in the note.

The Inspector-General states that "by the formation of the section, the new Financial Branch of the Education Department, the work in the general sections of his office is likely to be increased considerably and additional help may be required." It is not clear why the transfer of the accounts and audit work now done in the Comptroller's Office to that of the Inspector-General should increase the work of the latter. The Inspector-General's Office has now got a staff of twelve hands employed upon accounts work. This staff will have to work as part of the establishment of the new Financial Branch and if there is any work that is now being done in both the offices, the new arrangement should, if anything, lead to some reduction of

expenditure on establishment. In any case, the need for increased establishment in the office of the Inspector-General is not clear.

Mr. Krishnaswami Iyengar states that five more hands are necessary in addition to the staff to be transferred from the Comptroller's Office for the work of the new Branch. If the existing accounts establishment of the Inspector-General's Office is also transferred to this Branch, there may be no need for any additional hands. The only extra work will be, the accounts compilation and it may be possible to provide it with the total strength of eleven *plus* twelve or twenty three hands of which the new Branch will consist.

This measure will require the employment of a competent Gazetted Officer to be placed in charge of the new Branch of the Inspector-General's Office. The Education Audit in the Comptroller's Office forms part of the charge of one of the Assistant Comptrollers and the transfer of this work to the office of the Inspector-General will not, therefore, release an Officer from the Comptroller's staff for transfer to the Education Department. The pay of the Officer to be placed in charge of the new Branch will, I think, be the only additional expenditure involed by this proposal.

Dewan through First Member.

M. N. K.
10-7-24.

If there is to be a separate audit office, the auditor must be independent of the Inspector-General of Education and not his subordinate. The auditor must be able to take objection to unauthorised items of expenditure and should not therefore be in touch with the spending department. I am for strengthening the accounts section of the office of the Inspector-General of Education, but not for the creation of a new office. The Inspector-General of Education has already two assistants and the creation of a 3rd will give rise to strong opposition both in the Representative Assembly and Legislative Council.

M. H. H.
12-7-24.

The idea is to have an auditor of Education experience, (like the Railway Auditor) who would be in the same position in respect of the head of the department as the Comptroller.

The Establishment of the Comptroller's Office should be drafted to the present accounts section and total cost should not be exceeded.

Please formulate revised proposals on this basis and note on the re-organisation basis.

A. R. B.
16-7-22.

Forwarded with compliments to the Comptroller for favour of formulating the proposals referred to in the Dewan's order in consultation with the Inspector-General of Education.

M. N. K.
17-7-24.

No. 66 dated 10th September 1924.

The question was discussed with the Inspector-General of Education, and a note of the results of the discussion is placed in the file.

T. SATYARAJ CHETTY,
Comptroller.

The question of formulating proposals (without involving extra cost on account of establishment) for the formation of a separate Financial Branch in the office of the Inspector-General of Education and of transferring thereto, the work of audit and compilation of accounts of expenditure pertaining to the Education Department, which is now done in the Comptroller's Office was discussed at a meeting arranged on the 5th instant in the office of the Inspector-General of Education. Mr. K. R. Krishnaswami Aiyangar was also present at the meeting. The list of distribution of work among the officials of the Inspector-General's Office was gone through and it was found that, in several cases, the same official was dealing with work pertaining to both administration and accounts, and that five such officials could be transferred along with their work to the Financial Branch to be newly formed. Thus, the total strength

of the Financial Branch will be 16, of which 11 (including one Superintendent) will be contributed by the Comptroller's Office and five from the Inspector-General's Office.

As regards the extra items of work mentioned in para 13 of Mr. Krishnaswami Aiyangar's note, it is really difficult to see how these could be arranged for with the existing establishment, but anyhow, the scheme may be tried and worked for some time without any extra establishment for the present, as desired by Government. The only item of extra cost will then be, the pay of the accounts officer to be newly posted to the Inspector-General's Office.

As regards the actual scale of establishment to be transferred from the Comptroller's Office to the Financial Branch of the Inspcctor-General's Office, it will depend on the personnel of the staff and the salaries they may be drawing at the time of such transfer. This may accordingly be determined later on.

C. S. BALASUNDARAM IYER,
Inspector-General of Education
in Mysore.

T. SATYARAJ CHETTY,
Comptroller.

Reference. Dewan's orders of 16th July 1924 above.

Dewan through the First Member.

M. N. K.
13-9-24.

M. H. H.
16-9-24.

A draft order may now be put up for consideration in Council on the lines of the agreement arrived at.

A. R. B.
12-9-24.

Draft put up.

M. N. K.
27-9-24.

May be considered at an early meeting of Council. The draft regarding Electrical Department may be expedited.

A. R. B.
30-9-24.

To the Chief Secretary with compliments.

M. N. K.
3-11-24.

Draft order on the decentralization of the work relating to accounts and audit in the Education Department.

Opinion of the Council.

The draft order may be approved.

A. R. BANERJI,
Dewan of Mysore.

Financial Secretary with compliments.

K. M.
28-11-24.

Draft put up.

M. N. K.
29-11-24.

A. R. B.
2-12-24.

Submitted to His Highness.

I have been impressed for some time past with the need for improving the financial side of administration of the Education Department. Whether judged by the magnitude of its operations or the growing character of its activities, the Education

Department is the largest of our service Departments. Its annual transactions relating to revenue and expenditure already amount to about Rs. 60 lakhs and their volume is bound to increase with the additional grants made from State Funds and the extension of the levy of Education Cess to all the districts. Accordingly, I asked the Financial Secretary in January last, to go into the whole question and put up a note. This he did on the 26th January on which I minuted on the 27th. The main considerations of the proposals contained in the above are as follows:—

A department whose operations are of the magnitude referred to in the preceding para, should be properly equipped for the discharge of its financial responsibilities; but the existing system, in this respect, is far from satisfactory. The accounts of this Department are now made up in the Comptroller's Office and all the processes of audit are also conducted there. The Department is, under this arrangement, placed at a great disadvantage, as it does not know from time to time how its financial administration is going on and what measures should be taken at the proper time for controlling its activities and for obtaining the maximum return for the amount spent by it.

A system of decentralization, with the object of bringing the general administration of the Department into intimate touch with its account and audit work, is the only remedy to remove the existing drawbacks and accordingly an officer of the Accounts Department was placed on special duty for a short period to work out the details of such a scheme of decentralization and submit a report.

The draft order in which the essential features of the scheme are outlined was considered on 27th November 1924 by the Council which approved of the proposals made in it. At an earlier stage of the case, the First Member was not in favour of the new scheme as he thought that it might detract from the independence of audit and he held the view that any existing defects could be cured by strengthening the Accounts Section of the office of the Inspector-General instead of by appointing an officer as his Financial Assistant and decentralizing the audit. When the Council discussed this matter, the First Member expressed the opinion that his recent inspection of the office of the Inspector-General, which he recently undertook at my special request, had convinced him that the appointment of a Financial Assistant on the lines suggested was absolutely necessary and he accordingly fully supported the proposals made in the draft.

The general lines of the scheme are outlined in the draft order and its essential feature is the formation in the office of the Inspector-General of Education of a Financial Branch and placing it under a qualified officer of the Accounts Department and entrust him with the duties of

(i) advising the Inspector-General on all matters relating to the finances of the Department,

(ii) accounting for all the financial transactions of the Department, and

(iii) conducting the internal audit of the receipts and payments of the Department.

Provision has also been made in the scheme for a periodical review of the work done in the Financial Branch by the inspecting staff of the Comptroller.

The staff of the new Branch will consist of the hands now employed upon this work in the offices of the Comptroller and the Inspector-General and the only extra cost of the scheme is the emoluments to be paid to the officer placed in charge of it, and this cost is proposed to be found by reappropriation in the current year. The question as to what officer should be selected for filling this appointment and what salary should be allowed to him, will be separately considered and proposals submitted in due course.

I request the gracious approval of His Highness to the issue of the order in which the general lines of the scheme are explained. This reform in the internal organisation of the Education Department is a very important one. At present the administration of the Education Department is defective in respect of audit also of expenditure and there is no correct information available in the Inspector-General's Office, nor is he advised regarding the financial transactions, excesses, lapses and other matters. Wherever there is large expenditure, it is essential that suitable and effective arrangements should be made for a proper financial check, scrutiny and

advice then and there. The object of the scheme is that, and it is achieved by re-adjustment and with the minimum possible additional expenditure.

The draft order and the resolution of the Council on which it is based may be graciously approved.

Bangalore, A. R. BANERJI,
2-12-24.

Subject.—Decentralisation of audit work relating to the Education Department.

Approved by His Highness. M. M. I.
9-12-24.

Chief Cecretary, Financial Secretary. Urgent. Should issue.

A. R. B.
15-12-24.

To the Comptroller, the Inspector-General of Education, the Heads of Departments, the Secretaries to Government and the Deputy Commissioners of Districts.

No. Fl. 2250-809—G. F. 223-23-2, dated 18th December 1924.

Directs the formation of a separate Financial Branch as part of the office of the Inspector-General of Education and defines the duties to be attended to by the Accounts Assistant to the Inspector-General.

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Order No. Fl. 2250-309—G. F. 223-23-2, dated 18th December 1924.

Under the policy of expansion of education of all grades, the expenditure on Education has largely increased in the last few years and it is bound to grow still further in the future. According to the Budget Estimate for 1924-25, the Education Department is answerable for a total expenditure of Rs. 47¼ lakhs and has to account for receipts of different kinds including school fees amounting to Rs. 11¾ lakhs; thus, the volume of annual transactions already amounts to about Rs. 60 lakhs and it will increase year by year. The financial responsibilities of the Education Department are, therefore, heavy and growing, and the question of providing it with the facilities necessary for the proper control of the financial interests committed to its charge has, for some time past, been under the consideration of Government.

2. Under the existing system, the accounts relating to the transactions of the Education Department are compiled and maintained in the Comptroller's Office and the Inspector-General of Education is not, under this arrangement, in close touch with the working of his department on the financial side and is thus handicapped in the administration of his Department. Powers of financial sanction and control have been delegated to him and devolution of further powers is desirable in the interests of Departmental administration and the advice of a Technical Assistant would be of considerable help to him in the exercise of such powers. For making financial control effective and for enforcing economy in administration, it is necessary to develop a system of internal administrative audit conducted with intimate knowledge of the work of the Department with better means of information than accounts and documents prepared for the inspection of an external examiner. It is also necessary to provide for the maintenance, within the Department, of accounts which will keep the Inspector-General constantly informed of the financial results of working of his Department and which will also enable him to use the available resources to the best advantage every year while adhering to the scheme of appropriations sanctioned by the Legislative Council. In view of these considerations, it is desirable to organize, as part of the office of the Inspector-General of Education, a separate Branch and entrust it with the work of accounts, audit and finances of the Department.

3. The Financial Branch of the Education Office will be placed under an officer of the Accounts Department who will work as an Assistant to the Inspector-General of Education. The duties of this Assistant will broadly be classified under the following heads:—

(1) Financial Adviser to the Inspector-General of Education;

(2) Accounting Officer of the Education Department; and

(3) Officer in charge of the internal audit of the financial transactions of the Education Department.

4. In matters relating to audit and accounts, the Officer in charge of the Financial Branch should be guided by instructions issued by the Comptroller. If cases arise in which the Inspector-General does not accept the opinion of his Financial Assistant, he will issue written orders which should be carried out by the latter and all instances of this kind should be reported to the Comptroller for such action as he may consider necessary.

5. The detailed audit of all kinds of expenditure of the Education Department will be conducted in the Financial Branch of the Education Office instead of, as hitherto, in the Comptroller's Office. The system of audit of the several classes of expenditure of the Education Department will be on the lines settled by the Comptroller, keeping in view, the requirements of the Inspector-General for exercising an effective control over the financial operations of his Department.

6. Arrangements will be made for the submission, by Treasuries to the Financial Branch of the Education Office, of all paid Education bills subject to post audit and particular care should be taken for the safe custody of bills and vouchers while under audit as also after audit.

7. The Financial Assistant to the Inspector-General should submit monthly, to the Comptroller an audited account of the receipts and expenditure of the Department and also such other accounts and returns as the Comptroller may require.

8. All bills which, under the rules of the Department, are submitted to the Inspector-General for sanction or countersignature should be subject to pre-audit and paid by cheques.

9. The Financial Branch of the Education Office will, for the present, consist of sixteen hands, of whom eleven who are employed on Education audit in the Comptroller's Office will be transferred from that office and the remaining five hands will be spared from the present establishment of the office of the Inspector-General of Education. The extra cost of the Scheme of Education Audit sanctioned in this order will thus be limited to the emoluments of the Gazetted Officer appointed to work as the Financial Assistant to the Inspector-General of Education and will be met by reappropriation during the current year.

10. The Comptroller should arrange for the examination of the accounts and audit work of the Financial Branch of the Education Office at least once a year and his examination should keep the following objects in view:—

(1) A general scrutiny to see that the work is properly performed; and
(2) a special scrutiny for the discharge of his responsibility to the Legislature in respect of audit against appropriation and of points to be noted in the annual Audit and Appropriation Report.

11. As Industrial Schools are under the Director of Industries and Commerce, the new system will not apply to them and the audit of bills of these schools will continue to be conducted in the Comptroller's Office.

WD 1530—GPB—50—11-7-25.

A. P.—Edn.